

CONTRACTS FOR THE CONDUCT OF CONTRACT POSTAL STATIONS

JUNE 25, 1956.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ALEXANDER, from the Committee on Post Office and Civil Service, submitted the following

R E P O R T

[To accompany H. R. 4938]

The Committee on Post Office and Civil Service, to whom was referred the bill (H. R. 4938) relating to contracts for the conduct of contract postal stations, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

AMENDMENT

The amendment is as follows:

Strike out lines 8 through 10 and insert in lieu thereof the following:

SEC. 15. The Postmaster General may enter into contracts for the conduct of contract stations for a term not exceeding three years. Any such contract may be renewed by the Postmaster General, at the same or a lower contract price, for additional terms not exceeding three years each unless (1) the Postmaster General finds that such renewal is not in the interest of the United States or (2) not later than ninety days before the end of any contract term the Post Office Department receives a request in writing that the contract be opened for competitive bidding at the end of such term. Upon any such finding by the Postmaster General, or upon receipt of any such request, the Postmaster General shall terminate the contract, with respect to which such finding has been made or such request has been received, at the end of the current term and shall advertise for bids thereon in accordance with existing laws relating to the advertising of public contracts and the award thereof on the basis of competitive bidding.

PURPOSE OF AMENDMENT

The purpose of the amendment is to provide for necessary flexibility in contracting by the Postmaster General for the conduct of contract postal stations and to establish appropriate limitations on the authority of the Postmaster General, provided by this legislation, to extend such contracts for additional terms.

STATEMENT

This legislation, as amended, will authorize the Postmaster General to enter into contracts for the conduct of contract postal stations for terms not in excess of 3 years each and, at the expiration of any such term, to renew any such contract at the same or a lower contract price unless (1) he shall find that such renewal is not in the interest of the United States or (2) not later than 90 days before the end of such contract term the Post Office Department receives a written request that the contract be opened for competitive bidding at the end of such term. If the Postmaster General makes such finding, or receives such a written request, with respect to any contract entered into as provided by this legislation, he will advertise for bids for the conduct of the contract postal station involved in accordance with existing laws relating to the advertising and award of public contracts.

Present law authorizes the Postmaster General to enter into these contracts for terms not in excess of 2 years. The postmaster concerned may terminate any such contract on 24-hour notice to the contractor, and the contractor may terminate the contract by giving the postmaster 30 days' notice. There are some 5,000 contract postal stations in operation, with total contract payments approximating \$5 million per year. Annual stamp sales are about \$50 million. The average yearly contract price was \$1,143 in 1954, compared to \$312 in 1940, representing an increase of over 370 percent in that 14-year period. The Post Office Department will carefully review performance under any existing contract before the authority to extend such contract, as provided in this legislation, is exercised. The present system of providing for termination by the postmaster upon 24-hour notice and by the contractor upon 30 days' notice will be continued.

The existing limitation on the authority of the Postmaster General to contract for the conduct of contract postal stations has resulted in continued increases in the average contract prices for a number of years. In a number of instances it also has deprived the Post Office Department of the services of experienced and efficient contractors who may be replaced by new contractors who are not as well qualified but who must be awarded the contracts because of lower bids. The cost of readvertising, preparation of bids, and related work alone is estimated to be over \$59,000 each 2 years, a large part of which would be saved by approval of this legislation and the resultant decrease in the number of advertisings required.

H. R. 4938 is based on an official request of the Postmaster General, which follows:

OFFICE OF THE POSTMASTER GENERAL,
Washington, D. C., March 4, 1955.

Hon. SAM RAYBURN,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: There is transmitted herewith for consideration by the Congress, proposed legislation to amend section 15 of the act entitled "An act to amend the act approved June 25, 1910 authorizing the postal savings system, and for other purposes" (39 Stat. 163).

This provision of law is embodied in section 161 of title 39, United States Code, and authorizes the Postmaster General "to enter into contracts for the conduct of contract stations for a term not exceeding 2 years." Pursuant to the above provision of law, such contracts are now secured by this Department for a 2-year period, beginning July 1 of each year, alternately, with contracts in the eastern half of the United States being secured in even years, and in the western half in odd years. Contract stations established after July 1 are on the basis of the remaining portion of the 2-year period.

At this time, there are approximately 5,000 contract stations in operation, with total annual contract rates amounting to approximately \$5 million. The annual stamp sales at these contract stations amount to approximately \$50 million.

Under the program now followed, each year this Department, and postmasters in one-half of the country, must go through the program of readvertising all contract stations, the awarding of contracts, and inaugurating the service in all instances in which there is a change in the contractor. This system involves a tremendous amount of time and expense on the part of postmasters, and this Department, and it is believed that it is advisable and desirable to effect a change in the present practices which will permit these contracts to be awarded without term. Under the present system, the postmaster may terminate the contracts on 24-hour notice to the contractor, and the contractor may terminate the contract by giving the postmaster 30 days' notice. It is contemplated that these same regulations would be maintained if the contracts are let without term.

It is not believed that the annual cost of operation of these stations would be increased by reason of such contracts being secured for an indefinite term, as this Department would review the annual business conducted by the stations and follow a program of requiring postmasters to readvertise the stations in all instances in which there is a decline in business, or in which economic or other conditions indicated that a more advantageous contract could be secured. As a matter of fact, it is considered quite likely that more advantageous contracts can be secured on an indefinite basis than under the present system because the contractor is required to provide space and equipment before securing a contract. When he is assured of only a 2-year contract, he must give some thought to the amortization of the costs within the term of the contract.

The enactment of legislation to permit contracts for contract stations to be let without term will, it is believed, tend to result in decreased expenditures by this Department, but there is not available sufficient information upon which to base an estimate as to the amount of such reduction in expenditures.

It is believed that legislation such as is transmitted herewith will accomplish the desired results, and its early enactment is recommended.

The Bureau of the Budget has advised that there would be no objection to the submission of this legislative proposal to Congress.

Sincerely yours,

ARTHUR E. SUMMERFIELD,
Postmaster General.

A report by the Comptroller General of the United States relative to this legislation follows:

COMPTROLLER GENERAL OF THE UNITED STATES,
Washington, July 22, 1955.

Hon. HUGH Q. ALEXANDER,
*Chairman, Subcommittee on Post Office and Civil Service,
House of Representatives.*

DEAR MR. ALEXANDER: By letter of June 25, 1955, your counsel requests our views regarding a proposed amendment to H. R. 4938, 84th Congress. The bill proposes to amend section 15 of the act of May 18, 1916 (39 Stat. 163), Title 39, United States Code, section 161, so as to authorize the Postmaster General to enter into contracts for the conduct of contract stations, on such terms as he deems to be in the best interests of the United States.

A companion bill, S. 1487, 84th Congress, which was introduced in the United States Senate on March 18, 1955, was the subject of our report of April 18, 1955, to the Senate Committee on Post Office and Civil Service.

The existing law authorizes the Postmaster General to enter into contracts for the conduct of contract stations for a term not to exceed 2 years and such contracts are subject to the general statutory contracting requirements, one of which is the advertising for bids requirement of section 3709, Revised Statutes, Title 41, United States Code, section 5. But it may be noted that since 1928 we have recognized that contracts for this type of service differ from ordinary contracts for supplies and services in that the primary objective to be accomplished is the furnishing of service for the convenience of the public. We are aware that in awarding such contracts—in some cases, to other than the low bidder—there necessarily must be for consideration, in addition to price, the interests and convenience of the public so that they will be served to the best possible advantage. However, as indicated in our report of April 18, 1955, we have no information as to the need for the removal of this type of contracting from the existing statutory advertising requirements as contemplated by the language of H. R. 4938.

Under the proposed amendment to H. R. 4938 the terms of the contract involved would be extended from 2 to 3 years with the further provision that such contract may be renewed by the Postmaster General for additional terms of 3 years unless during any 3-year term the Postmaster General shall receive a request in writing that the contracts be opened for competitive bidding at the end of such term. It is further provided that upon receipt of any such request the Postmaster General shall terminate the contract with respect to which the request was received at the end of the current 3-year term and shall advertise for bids thereon in accordance with existing laws relating to the advertising of public contracts.

It is suggested that, if the broad grant of authority to the Postmaster General under H. R. 4938 be deemed objectionable, it is not overcome by the terms of the amendment which make the application of the advertising statutes contingent merely upon the receipt of a written request for opening of the contract to competitive bidding. Presumably the receipt of such a request will wholly depend upon the circumstance whether a person who may be interested obtains knowledge as to the existence of the contract. On the other hand, the nonreceipt of such a request would not necessarily establish a lack of interest in the contract but well might result from the failure of potential bidders to receive the notice and information concerning the contract which the advertising statutes are designed to accomplish. The result would be that the Government would be deprived of the economic benefits resulting from competitive bidding. We are not inclined to view the proposed legislation with favor in the absence of cogent reasons for its enactment.

Sincerely yours,

JOSEPH CAMPRELL.

Comptroller General of the United States.

CHANGES IN EXISTING LAW

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 15 OF THE ACT OF MAY 18, 1916

(69 Stat. 163; 39 U. S. C. 161)

[SEC. 15. That hereafter the] *The* Postmaster General may enter into contracts for the conduct of contract [stations for a term not exceeding two years.] *stations, on such terms as he deems to be in the best interests of the United States.*

MATTERS FOR THE INFORMATION OF THE HOUSE

For the information of the House, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 15 OF THE ACT OF MAY 18, 1916

(69 Stat. 163; 39 U. S. C. 161)

SEC. 15. [That hereafter the] *The* Postmaster General may enter into contracts for the conduct of contract stations for a term not exceeding [two] *three* years. *Any such contract may be renewed by the Postmaster General, at the same or a lower contract price, for additional terms not exceeding three years each unless (1) the Postmaster*

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General finds that such renewal is not in the interest of the United States or (2) not later than ninety days before the end of any contract term the Post Office Department receives a request in writing that the contract be opened for competitive bidding at the end of such term. Upon any such finding by the Postmaster General, or upon receipt of any such request, the Postmaster General shall terminate the contract, with respect to which such finding has been made or such request has been received, at the end of the current term and shall advertise for bids thereon in accordance with existing laws relating to the advertising of public contracts and the award thereof on the basis of competitive bidding.

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